

Message Text

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PAGE 01 REYKJA 00841 221014Z

ACTION EUR-12

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STR-04 CEA-01 L-03 H-02 DODE-00 PA-02 PRS-01

CU-04 DOTE-00 FMC-02 CG-00 DLOS-09 OES-07 PM-04

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TAGS: ABUD, ECAB, ECON, IC

SUBJECT: LABOR TALKS NEAR FINAL AGREEMENT; STRIKE ACTIONS POST-
PONED

REF: REYKJAVIK 0815 (NOTAL)

1

SUMMARY. WITH THE MAJOR HURDLES OF WAGES, INDEXING,

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PAGE 02 REYKJA 00841 221014Z

PERIOD OF AGREEMENT, AND GOVERNMENT CONTRIBUTION

OVERCOME, EMPLOYERS FEDERATION AND ICELANDIC FEDERATION

OF LABOR (IFL) HAVE BEEN CLEANING UP LESSER DETAILS.

MAJOR STUMBLING BLOCK INVOLVING BONUSES FOR PIECE

WORKERS HAS PREVENTED SIGNING OF UMBRELLA AGREEMENT.

EMPLOYERS HAVE REFUSED IFL OFFER TO SIGN AGREEMENT UNTIL

PIECE WORKERS' DEMANDS AND OTHER PERIPHERAL MATTERS SETTLED.

ALTHOUGH ONE DAY GENERAL STRIKE HAS NOW BEEN CANCELLED AND OVERTIME BAN LIFTED, IFL HAS ONLY POSTPONED (UNTIL MIDNIGHT THURSDAY, JUNE 23) RATHER THAN CALLED OFF ITS EARLIER ANNOUNCED STOPPAGE OF ALL INTERNATIONAL AND DOMESTIC FLIGHTS AND SHIPPING. PRESENT INDICATIONS ARE THAT AGREEMENT WILL BE SIGNED SOON AND THAT THREAT OF STOPPAGE IS ONLY RETAINED FOR POSSIBLY NEEDED LEVERAGE. END SUMMARY.

2. THE ICELANDIC STATE RADIO STATION REMAINED ON THE AIR BEYOND CLOSING TIME (11:30 P. M.) SUNDAY EVENING PENDING "MAJOR ANNOUNCEMENT." ALTHOUGH I WAS EXPECTED THAT NEGOTIATORS WOULD ANNOUNCE CONCLUSION OF AGREEMENT, ANNOUNCEMENT SIMPLY MENTIONED RECOMMENDATION THAT PARTIAL STRIKE FOR MONDAY, JUNE 20 BE CALLED OFF. MOST UNIONS ACCEPTED THIS RECOMMENDATION AND BUSINESS WAS FAIRLY NORMAL EXCEPT FOR EFFECTS OF CONTINUED OVERTIME BAN.

3. DESPITE BEST EFFORTS NO AGREEMENT WAS REACHED ON MONDAY; HOWEVER, LATE MONDAY EVENING IFL SAID PROGRESS HAD BEEN SUFFICIENT TO WARRANT CANCELLATION OF ONE DAY GENERAL STRIKE (SCHEDULED FOR JUNE 21) AND LIFTING OF OVERTIME BAN AND TO POSTPONE STOPPAGE OF DOMESTIC AND INTERNATIONAL FLIGHTS AND SHIPPING UNTIL MIDNIGHT THURSDAY, JUNE 23. MEANWHILE EFFORTS TO REACH COMPLETE UNCLASSIFIED

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PAGE 03 REYKJA 00841 221014Z

SETTLEMENT CONTINUE.

4. FOLLOWING AGREEMENT ON WAGE INCREASES REPORTED REFTEL, IFL HAS SUBSEQUENTLY ANNOUNCED GOI "CONTRIBUTION" TO WAGE SETTLEMENT. INCLUDED ARE REDUCED IN-COME TAXES, INCREASED SUBSIDIES FOR MILK AND MEAT, INCREASED BENEFITS FOR PENSIONERS, INCREASED GOVERNMENT AID FOR WORKER HOUSING AND STRONGER MEASURES TO PROMOTE WORK SAFETY. FURTHER DETAILS WILL BE INCLUDED IN EMBASSY'S WAGE AGREEMENT WRAPUP.

5. GOVERNMENT HAS BEEN VERY RETICENT WITH RESPECT TO COMMENTING IN ANY WAY ON NEGOTIATIONS, EVEN TO EXTENT OF PERMITTING IFL PRESIDENT, RATHER THAN GOI SPOKESMAN, TO ANNOUNCE GOVERNMENT PROPOSALS TO INCREASE WORKERS PURCHASING POWER (PARA 4 ABOVE). CONSEQUENTLY, COMPARISONS OF WAGES AND PROJECTED INFLATIONARY IMPACT, ETC. HAVE ALL BEEN LEFT TO NON-GOVERNMENT SOURCES TO SPECULATE ON.

6.

CHAMBER OF COMMERCE ANNOUNCED TO PRESS THAT IT HAD CALCULATED THAT EARLIER AND MORE MODEST PROPOSAL BY STATE ARBITRATION COMMITTEE (SEE REFTTEL) ALONE WOULD HAVE INCREASED COST OF LIVING INDEX (COLI) BY 25 PER CENT FOR REMAINDER OF 1977 OR BY 37 PER CENT FOR ENTIRE YEAR. COLI WOULD HAVE RISEN 42 PER CENT IN 1978, OR A TOTAL OF 75 PER CENT BETWEEN NOW AND END OF 1978. CHAMBER HAD ALSO CALCULATED EXCHANGE RATE OF ICELANDIC KRONA (IKR) WOULD FALL FROM PRESENT 194 IKR. PER US DOLLAR TO 212 BY END OF 1977 AND TO 242 BY END OF 1978. THUS, UNDER PROVISIONS OF

ARBITRATION COMMITTEE PROPOSAL AVERAGE INCREASE OF US UNCLASSIFIED

UNCLASSIFIED

PAGE 04 REYKJA 00841 221014Z

DOLLAR WITH RESPECT TO THE KRONA WOULD BE 11.6 PER CENT FOR ALL OF 1977 AND 13.7 PER CENT FOR 1978, ACCORDING TO THE CHAMBER. SINCE THE ARBITRATION PROPOSAL WAS CONSIDERABLY LOWER THAN CURRENT AGREEMENT, CHAMBER HAS CONCLUDED THAT THE NEW AGREEMENT IS STILL MORE INFLATIONARY BUT COULD NOT AS YET PROVIDE ACTUAL DATA. IT ALSO NOTED, IN AN ASIDE, THAT CONCERN OVER UPCOMING ELECTIONS MAY CAUSE GOVERNMENT TO DELAY OTHERWISE UNAVOIDABLE ADJUSTMENTS IN PRICE OF FOREIGN CURRENCY.

7. LEFTIST PAPER THJODVILJINN SEEMS TO BE PLEASED WITH THE AGREEMENT NEGOTIATED SO FAR, CITING IFL ECONOMIST ASMUNDUR STEFANSSON'S DATA. ACCORDING TO STEFANSSON, AGREEMENT MEANS AN INCREASE FOR LOWEST PAID WORKERS OF 10-11 PER CENT IN PURCHASING POWER OF WAGES FOR 1977 OVER 1976 AND 24-26 PER CENT FOR 1978 OVER 1976. THJODVILJI IN JUNE 21 EDITORIAL ESTIMATED AGREEMENT MEANT A 45 PER CENT WAGE INCREASE FOR LOWEST PAID

(I.E. THOSE EARNING 70,00 IKR (USDOL 360 PER MONTH), WHO NOW WOULD SEE THEIR EARNINGS RISE TO 702,000 (DOL 525) BY NOVEMBER 1978.) THIS FIGURE MOREOVER DOES NOT INCLUDE EITHER THE 2.5 PER CENT FOR FRINGE BENEFITS OR THE PERIODIC COST-OF-LIVING COMPENSATION ADJUSTMENTS WHICH WILL ALSO BE BUILT INTO NEW AGREEMENT.

8. COMMENT. CURRENT PROSPECTS ARE FOR THE AGREEMENT TO BE SIGNED TODAY OR TOMORROW. OBSERVERS AND PARTICIPANTS AGREE THAT VICTORY IS LABOR'S. BUT MANY THOUGHTFUL UNCLASSIFIED

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PAGE 05 REYKJA 00841 221014Z

PERSONS FEEL ICELANDERS ON A WHOLE HAVE LOST FIGHT AGAINST
INFLATION WHICH WILL NOW QUICKLY EAT UP NEW WAGE BENEFITS,
EVENTUALLY LEAVING ALL CONCERNED SOMEWHAT WORSE OFF THAN
BEFORE.
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